

Message Text

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ACTION AGRE-00

INFO OCT-01 EA-10 ISO-00 EB-08 COME-00 SS-15 SP-02

NSC-05 STR-07 CEQ-01 CIAE-00 INR-10 NSAE-00

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FM USLO PEKING

TO SECSTATE WASHDC 0015

C O N F I D E N T I A L PEKING 0557

E.O. 11652: GDS

TAGS: EAGR, ETRD, CH, US

SUBJ: GARNAC GRAIN VISIT TO PEKING

1 DR. HERBERT PUTZ OF GARNAC GRAIN, ACCOMPANIED BY WILLY WASPI OF ANDRE AND CO. OF LUSANNE AND E. GEHRIG OF ANDRE'S TOKYO OFFICE, CALLED AT USLO MARCH 1 AND 2 TO DISCUSS POSSIBLE WHEAT SALES TO CHINA AND THE INSPECTION PROBLEM. GARNAC DID NOT PARTICIPATE IN EARLIER US GRAIN SALES TO THE PRC BECAUSE IT REFUSED TO ACCEPT THE PRC INSPECTION SYSTEM. PUTZ BELIEVES THAT THE PROBLEMS OF CARGILL AND DREYFUS SHOWED THAT GARNAC'S CAUTION WAS JUSTIFIED.

2. THE GARNAC GROUP HAD TWO LONG TALKS WITH FU HSING, DEPUTY DGENERAL MANAGER OF CEROILFOOD AND FOUND FU FRIENDLY AND BUSINESSLIKE. ALTHOUGH NOT READY TO TALK EITHER PRICE OR QUANTITY, FU INDICATED SOME INTEREST IN POSSIBLE IMPORTS OF US SOYBEANS AND WHEAT. REFERRING TO THE TCK SMUT NEGOTIATIONS OF 1973 AND 1974, FU NOTED THAT THAT WAS A DIFFICULT PERIOD. FU ADDED THAT "RELATIONS WITH THE US ARE STILL NOT NORMAL, BUT THEY ARE IMPROVING." (THIS QUOTE IS FROM GEHRIG'S NOTES.) FU INSISTED ON BASING ALL
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QUALITY DETERMINATIONS ON PRC INSPECTION ON ARRIVAL, BUT HE DID SAY THAT THE PRC WILL NOT REJECT SHIPMENTS COMPLETELY.

3. GARNAC IS TRYING TO FIND A WAY OF INCLUDING "BONIFICATION" PAYMENTS IN THE CONTRACT FORQUALITY DELIVERED BELOW SPECIFICATION, BUT FEELS IT NEEDS MORE INFORMATION

ON PRC INSPECTION METHODS IN ORDER TO FIND OUT HOW
GREAT THE COMMERCIAL RISK IS. WE FURNISHED THE
MATERIAL WE HAVE ON PRC INSPECTION METHODS, AND
GARNAC WILL TRY TO OBSERVE WHEAT INSPECTION IN TIENTSIN
OR SHANGHAI.

4. COMMENT: WHILE WE DO NOT YET SEE ANY US WHEAT
SALES TO CHINA ON THE HORIZON, FU HSING'S BUSINESSLIKE
ATTITUDE TOWARD GARNAC REPRESENTATIVES IS ENCOURAGING.
WHILE GARNAC WILL CONTINUE TO BE CAUTIOUS ABOUT THE
CHINA GRAIN TRADE, THEY ARE EXAMINING ALL FACETS OF
THE INSPECTION PROBLEM FOR A SOLUTION.

5. THE INFORMATION IN THIS TELEGRAM IS COMMERCIALLY
SENSITIVE AND SHOULD NOT BE DISCUSSED OUTSIDE THE USG.
WOODCOCK

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NNN

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